

ARIZONA DEPARTMENT OF EDUCATION

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STATE OF ARIZONA

SCHOOL FINANCE MEMORANDUM 07-012

TO: School District Superintendents, Business Managers, County School Superintendents, County Assessors, and County Treasurers of Cochise, Maricopa, Pima, Pinal and Yuma Counties

FROM: Philip Williams, Deputy Associate Superintendent

DATE: September 26, 2006

SUBJECT: **Kinder Morgan (SFPP) Assessed Values Appeal Judgment for Tax Years 2000, 2001, 2002, and 2004 – Please know that Tax Year 2003 is purposely excluded.**

For School Districts impacted by the Kinder Morgan Assessed Values Appeal Judgment, this memorandum provides guidance to:

- budget for the expected payment of principal and interest to Kinder Morgan in FY 2007,
- record the principal and interest expense on the FY 2006 AFR if paid in FY 2006, and
- request a correction to state aid pursuant to ARS 15-915 (B).

I. FY 2007 Budget Revision

When revising your FY 2007 Budget and if not paid in FY 2006, please include the Kinder Morgan principal and interest amounts to be paid in FY 2007 on page 7 of 8, line 10 and identify it as such in the description. Please be sure to increase your budgeted expenditures on page 1 of 8 to match the increase recorded on page 7, line 10. It is recommended that these expenditures be budgeted and expended under account code 001-100-2310-6820.

II. FY 2006 Annual Financial Report

If paid in FY 2006, please record the total principal and interest expenses paid to Kinder Morgan due to this Assessed Value Appeal on page 3, section J. This dollar amount will be excluded from the Over Expenditure analysis similarly to those unexpected expenses specified under ARS 15-907. In addition, please be sure to complete the item on the claim form indicating whether this amount was paid from available cash or was charged against FY 2006 budget capacity.

III. Request a correction to state aid for FY 2001, 2002, 2003 and 2005 pursuant to ARS 15-915 (B)

In 2005, Kinder Morgan (SFPP) was awarded a judgment for excessive property valuations in Tax Years 2000, 2001, 2002, and 2004. These revisions to Kinder Morgan property valuations affect state aid calculations in Fiscal Years 2001, 2002, 2003 and 2005 for districts in Cochise, Maricopa, Pima, Pinal and Yuma County. School districts in these counties receiving a judgment against them under the provisions of ARS 42-16213 are eligible to request a correction to state aid for the reference years.

If you have been notified of a judgment against you, please complete the attached claim form and submit to ADE School Finance. Please note that ARS 15-915 (B) requires that the Governing Board of the district make the request. In addition, the revised state aid amounts are subject to JLBC (Joint Legislative Budget Committee) review. The calculation of state aid for these years will be completed by ADE School Finance and the resultant dollar amounts will be forwarded to JLBC for review on your behalf.

State Aid and County Equalization calculations have been completed for Cochise, Maricopa, and Yuma County, and all have received a "favorable review" from the JLBC. For districts in these three counties, a claim submitted to ADE by October 5, 2006, will be processed and you will be notified of the correction amounts under a separate letter. These claimed state aid and County Equalization amounts will be included as an above the line adjustment on the October 15, 2006 APOR 64-1 payment report and paid in full at that time. ADE School Finance has not yet received original and revised Kinder Morgan assessed values for Pima County. This information is required before state aid calculations can be revised. The Pinal County correction calculations are in process.

Please know that the dollar amounts included on the APOR 64 payment report include County Equalization amounts paid on your behalf in the reference fiscal years. If you received your total County Equalization amounts due per your June 15 APOR 64 report for the reference years, these dollar amounts should be paid back to the County. The distribution of Qualifying Levy amounts and County Equalization amounts will be specified on the APOR 64-1 report.

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Claim Form for State Aid Corrections due to Kinder Morgan (SFPP) Tax Appeal Judgment

The GOVERNING BOARD OF THE _____ DISTRICT NO. _____
OF _____ COUNTY requests that ADE School Finance correct the state
aid amounts for FY's 2001, 2002, 2003 and 2005 due to the Kinder Morgan property assessed value decrease
from TY's 2000, 2001, 2002 and 2004.

The total dollar amount due to Kinder Morgan to include both principal and interest is: _____.

This same amount is reflected on the most recently revised FY 2007 Budget or has been (or will be) reported in
total on the FY 2006 AFR, page 3, section J.

How much of this dollar amount was paid out of available cash and was not expended against budget capacity?

How much of this dollar amount was paid against budget capacity? _____

President of the Governing Board

Date